MAY 1992

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL

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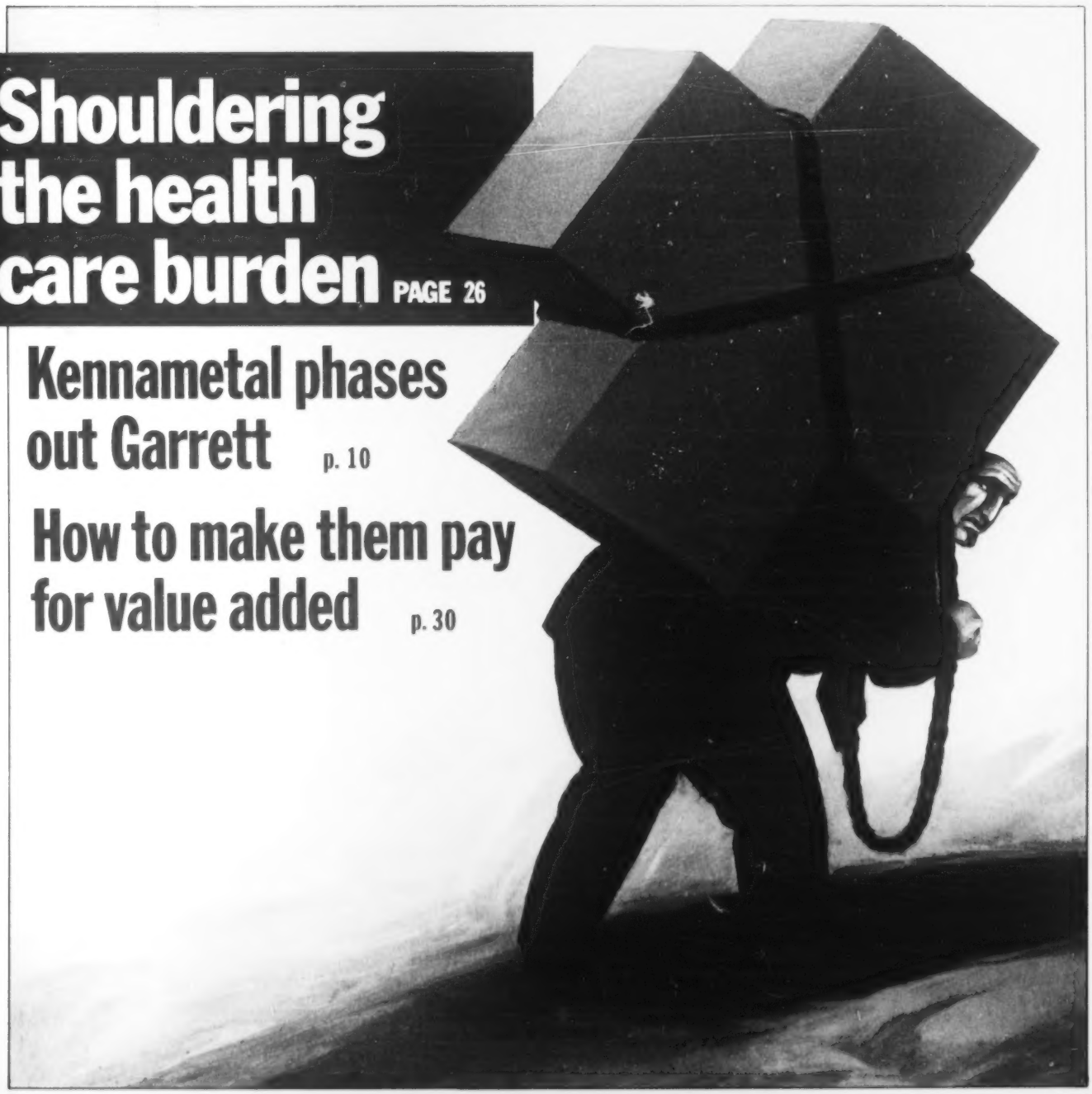
Shouldering the health care burden PAGE 26

Kennametal phases out Garrett p. 10

How to make them pay for value added p. 30



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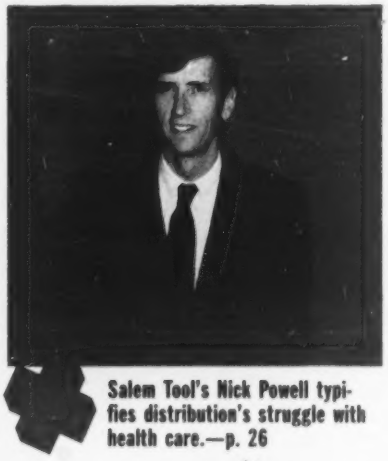
Use our Hand Tool Safety section to save Hazardous Harrys from themselves.—p. 35HT



Salem Tool's Nick Powell typifies distribution's struggle with health care.—p. 26

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35HT Hand Tool Supplement
May is Hand Tool Safety Month. Mark the occasion by referring to this comprehensive list of resources and safety tips.

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Nominations for the 1992 *Trailblazer* are due at PTDA headquarters by May 22. Customer contact information is due June 15. 1992 winners will be announced November 5 at the association's Annual Convention in Reno, Nev. For full details, contact PTDA at (708) 825-2000. ID

Badger Fastener pursues ISO 9000

FRANKLIN, WIS.—To market itself more effectively to OEM's that sell globally, as well as to prepare for the final passage of *The Fastener Quality Act*, Badger Fastener & Supply recently hired Mary Ehrecke as its Director of Quality.

Judd S. Glow, the company's vice president of sales and marketing, notes that one of Ehrecke's main tasks will be to develop a quality program that conforms with the requirements of ISO 9000—the European quality standard.

"We do business with OEM's that sell their products in the European market," Glow says. "While they haven't said it directly, it's been made implicitly clear that if distributors expect to do business with major exporters, they had better deliver ISO 9000-level quality."

According to Glow, Ehrecke is well prepared for the job. Ehrecke's background includes an MBA degree and over 15 years of quality management experience with Caterpillar, Inc., Rockwell International and J.I. Case. She is also a Certified Quality Engineer and Certified Quality Auditor.

Ehrecke's plan is to aggressively implement a quality assurance management program at every level of the company—from inventory control and shipping to computer systems and sales management. Her goal is for Badger Fastener to be accredited as an ISO 9000 supplier by the second quarter of 1993.

"The record keeping and traceability requirements of the *Fastener Quality Act* are highly compatible with the ISO 9000 standards," she says. "While the ISO requirements are seen in Europe as a minimum standard, they are still much higher than the average U.S. distributorship and will make us a much more competitive company." ID

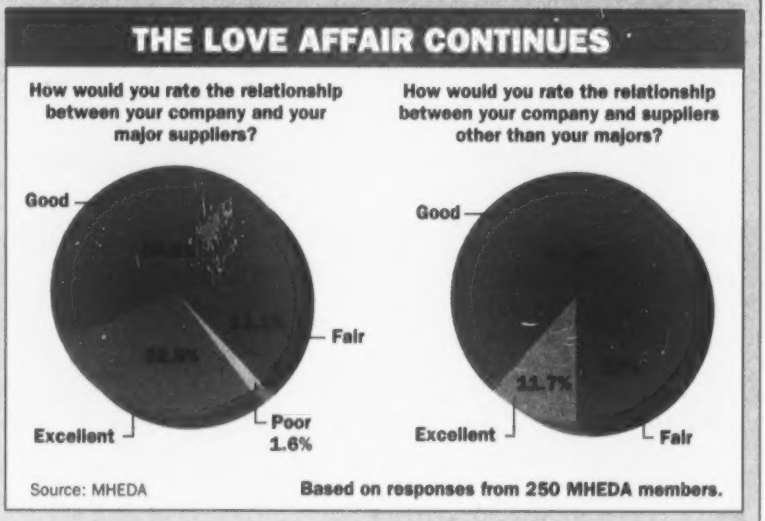
MHEDA tracks relations with suppliers

VERNON HILLS, ILL.—Are relations between manufacturers and distributors as strong as they should be? A recent "Hot Button" survey by the Material Handling Equipment Distributors Assn. (MHEDA) finds that the relationship is as healthy as ever.

The survey, which was based on 250 member responses, reports that a whopping 85.3% of respondents rate relations with major suppliers as either good or excellent. Similarly, when asked to evaluate relations with secondary suppliers, 82% also say they are either good or excellent. "The manufacturer/distributor relationship gets bad press," says Dan Reilly, MHEDA's executive vice president. "But as far as I'm concerned, it's been strong for years."

Reilly says that the survey, released in mid-March, contains a comprehensive overview of the material handling industry. Topics covered include company performance and profitability, industry growth, perpetuation and succession plans, and education.

According to Reilly, the survey was sent out automatically to members who filled out the questionnaire. The cost is $20 to members who did not respond and $40 to non-members. ID



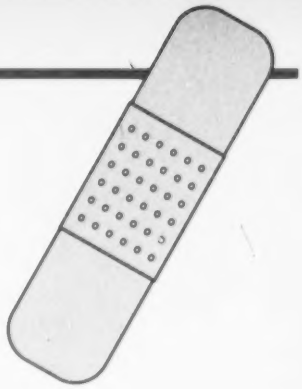
Seminar teaches how profits grow

LANSING, MICH.—Datanational, developer of distribution management software for IBM mid-range systems, has set a full-day, hands-on workshop that will focus on increasing distribution profits. The seminar is offered in conjunction with the National Assn. of Wholesaler-Distributors (NAW) and co-sponsors IBM and Rehmann Robson.

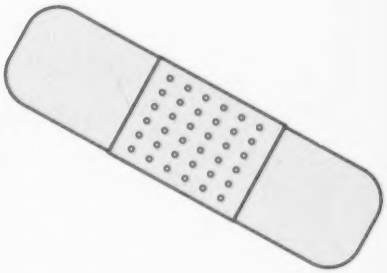
Led by H. Lee "Buck" Mathews, director of NAW's Wholesale Distribution Executive Management Courses at Ohio State Univ., the session convenes May 21 in Toledo, Ohio. Scheduled topics include:

- Handling ever-shortening product life cycles;
- Improving service without increasing costs;
- Evaluating product and customer profitability;
- Profiting from information management;
- Rating your company's performance.

Mathews has been featured at numerous NAW seminars and workshops around the country. Among the popular textbooks he's written are *Marketing Analysis and Decision Making for Industrial Distributors* and *Strategic Planning and Product Development*. ID



Hand tools safety alert!

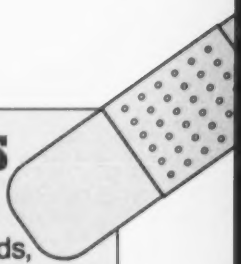


Probably no items on the distributor's and retailer's shelves are as important among professional mechanics as hand tools. Each year, more than $4 billion worth of hand tools are added to the millions already in use in the U.S. Because hand tools are so readily available, and because they seem more versatile than they have been designed to be, even pros misuse or abuse them, damaging work or, worse yet, injuring themselves. According to the U.S. Consumer Product Safety Division, the number of injuries requiring hospital treatment due to misuse of common hand tools has topped 110,000 annually.

Using a hand tool for a purpose other than that intended by the manufacturer, or using an abused or damaged tool, exposes the user to injury. No abused or damaged tool is safe. On record as causing accidents, many of them serious, are cracked or dulled blades, broken or bent handles, stripped or misaligned jaws, and loosened and overtrained parts.

This supplement is a sampling of HTI's continuing, 22-year campaign to educate hand tool users on the safe and proper treatment of hand tools. Included is a section with basic instructions on do's and don't's for common hand tools, as well as a tear-out sheet of safe practices. A list of HTI's booklets, wall charts and other hand tool safety aids is also included, as is handy ordering information.

Considering all of the negatives—personal injury, the high cost of treatment or hospitalization, lost time, damaged work pieces, the drop in productivity—hand tool safety should never be out of mind of any tool user. It should concern every employer, employee and journeyman.



WHAT HURTS THE MOST

Injuries, in thousands, by hand tool type.

Hammers: 49,469
Pliers, wire cutters or wrenches: 14,556
Screwdrivers: 14,041
Other manual workshop tools: 11,296
Awls, chisels or planes: 10,388
Hand saws: 8,147
Vises or workshop clamps: 2,003

Based on 1990 estimates of hand tool-related injuries requiring hospitalization or treatment in hospital emergency rooms.

Source: U.S. Product Safety Commission

BUSINESS REPORT

By Susan E. Farris

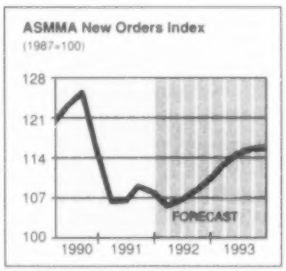
Construction markets see better '92

Construction spending rises again in response to favorable economic conditions.

Low interest rates, pent-up demand and a modest economic recovery beginning mid-year will ensure that construction markets and those serving them see a big improvement in 1992. Last year was the first decline in overall construction spending in nine years. Following a sharp 9.5% decline last year, total new construction spending is forecast to rise 5.9% in 1992. With this year's economic recovery comes strong growth in residential construction, although non-residential building will continue to fade and infrastructure work will gain modestly. Distributors can expect increased demand for heavy machinery and equipment and building supplies to last well into 1993. Non-residential construction spending plunged 10.9% in 1991 and is expected to fall a further 2% in 1992. Most of the weakness is concentrated in the commercial sector (office, retail and hotel), which was excessively overbuilt during the 1980s and is forecast to decline sharply this year. Industrial construction spending is also unlikely to increase much in 1992 as manufacturing operating rates are running low and industrial vacancy rates high. However, robust growth in institutional construction spending will bolster the non-residential sector. Expect a 10.5% increase in non-residential construction spending in 1993.

Housing starts reversed their downward trend in June of 1991 and have been rising steadily ever since. Lower mortgage rates have caused a resurgence in buyers of new homes, and the likely passage of home buyer incentives will further spur the residential market. The outlook for 1992 calls for housing starts to grow 25% over last year's record low of 1.0 million starts and for residential construction spending to surge 15%.

Much needed infrastructure improvements will update highways, bridges, water and sewer systems, and other public works. Although huge government deficits will somewhat limit spending on these projects, the transportation bill passed by Congress last November will provide a boost to highway construction over the next five years. Distributors can expect heavy construction spending to grow 7.4% in 1992 and a further 11.6% in 1993.



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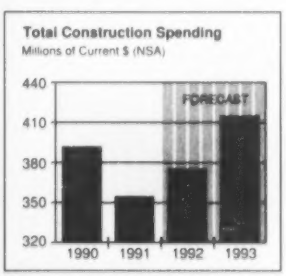

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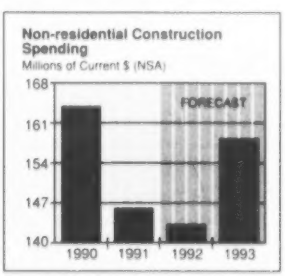

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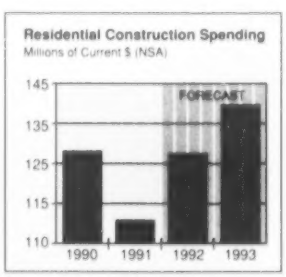

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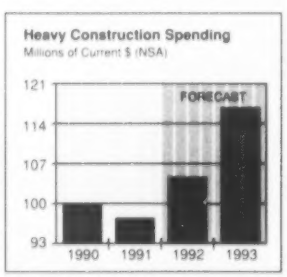

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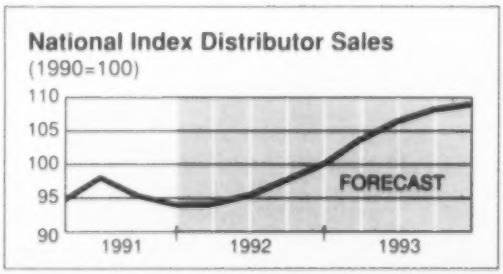
I.D.A. REPORT

SALES (1990=100)	Feb. 1992	Jan. 1992	Feb. '92 vs. Jan. '92 % change
TOTAL	93.0	95.2	-2.3
EAST	92.1	93.3	-1.3
SOUTH	95.3	99.1	-3.8
CENTRAL	94.6	96.7	-2.2
WEST	85.5	87.6	-2.4



SOURCE: Industrial Distribution Assn.